

Message Text

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12

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-04 FRB-01 INR-05

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6423

C O N F I D E N T I A L CARACAS 10675

EO 11652 GDS

TAGS: EFIN EGEN ENRG VE

SUBJ: VENEZUELAN INVESTMENT FUND

1. EMBASSY OFFICER MET WITH ACHILLES ROJAS (PROTECT SURCE), PORTFOLIO MANAGER OF VENEZUELAN INVESTMENT FUND, IN ORDER TO OBTAIN CURRENT READING OF STATUS OF FUND AND TO CLEAR UP CONFUSION SURROUNDING ACTIVITIES OF FUND PREVALENT IN PRESS.

2. FUND HAS RECEIVED DISBURSEMENTS FROM GOVT NOW TOTALING BS 11 BILLION. ITS AMOUNT INVESTED SOLELY ABROAD IN LIQUID ASSETS, MOSTLY SHORT TERM DEPOSITS IN US COMMERCIAL BANKS. FUND HAS REQUIREMENT THAT 15 PER CENT OF ITS INVESTMENTS MUST BE IN LIQUID INVESTMENTS ABROAD. FUND IS ALSO AUTHORIZED TO MAKE EQUITY AND DIRECT INVESTMENTS ABROAD, AS WELL AS DIRECT INVESTMENTS IN VENEZUELA TO COVER FOREIGN EXCHANGE COSTS. IFNECESSARY, FUND MAY EVEN COVER LOCAL COSTS IN VENEZUELAN DIRECT INVESTMENT BUT THESE MUST BE MADE THROUGH LOCAL FINANCIAL INSTITUTIONS. DIRECT INVESTMENTS IN VENEZUELA MUST BE MADE IN PRIORITY DEVELOPMENT SECTORS SUCH AS OIL, STEEL, AGRICULTURE, AND COMMUNICATONS.

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3. FUND IS ALSO AUTHORIZED TO MAKE LOANS TO INTER-

NATIONAL LENDING INSTITUTIONS. THUS FAR, THE ONLY FIRM COMMITMENT OF THIS TYPE HAS BEEN MADE TO IBRD FOR \$500 MILLION AT 8 PERCENT, OF WHICH APPROX \$300 MILLION HAS BEEN DISBURSED. FUND HAS ALSO PLEDGED \$500 MILLION TO IDB, \$100 MILLION TO ANDEAN DEVELOPMENT CORPORATION, AND \$100 MILLION TO CENTRAL AMERICAN DEVELOPMENT BANK.

4. INVESTMENTS BY FUND IN SHORT TERM ASSETS ABROAD DO NOT APPEAR IN FOREIGN EXCHANGE RESERVES STATEMENT OF CENTRAL BANK. ROJAS SAID THERE HAS BEEN DISCUSSION WITH THE CENTRAL BANK ABOUT THIS PROBLEM SINCE COUNTRY COULD HAVE CONSIDERABLE INFLOW FOREIGN EXCHANGE RESERVES FROM OIL REVENUES, WHILE CENTRAL BANK STATEMENT COULD INDICATE DECREASE IN FOREIGN EXCHANGE RESERVES. ROJAS SAID FROM STANDPOINT OF ECONOMY THIS WOULD NOT MAKE ANY DIFFERENCE BUT ACKNOWLEDGED PROBLEM FROM ACCOUNTING VIEWPOINT.

5. THE VENEZUELAN GOVT IS VERY CONCERNED ABOUT PROTECTING THE INTEGRITY OF THE INTERNATIONAL FINANCIAL MARKET IN VIEW OF ITS GROWING INVESTMENTS ABROAD. FOR THIS REASON THE FUND IS ATTEMPTING TO COORDINATE ITS ACTIVITIES WITH SOME OF THE MORE AFFLUENT OPEC MEMBERS. HE SAID ONE OF THE FUND'S DIRECTORS, JUAN PABLO PEREZ CASTILLO (SON OF OPEC FUNDER, PEREZ ALFONZO), IS CURRENTLY ABROAD CONSULTING WITH ARAB OIL EXPORTERS WITH A VIEW TOWARD MAINTAINING ORDERLINESS IN THE INTERNATIONAL FINANCIAL MARKETS.

6. THE FUND STAFF NOW CONSISTS OF SOME 60 PERSONNEL, 16 OF WHICH ARE PROFESSIONALS. ROJAS SAID THE FUND HAS BEEN BESEIGED BY FOREIGN BANKS AND FINANCIAL INSTITUTIONS PROFFERRING ADVICE CONCERNING HOW THE FUND SHOULD INVEST. HE SAID NO BANK AT THIS POINT HAS AN INSIDE TRACK AND IT WAS MOST LIELY THAT THE FUND WOULD UTILIZE THE SERVICES AND ADVICE OF SEVERAL BANKS AND FINANCIAL INSTITUTIONS. HE SAID AT THIS POINT THE FUND HAS NO DEFINITE PLANS FOR DIRECT INVESTMENT ABROAD, INCLUDING A REFINERY IN COSTA RICA AS SOMETIMES HAS BEEN MENTIONED IN THE PRESS.

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HE CONCLUDED THAT THE FUND WOULD MOVE SLOWLY IN THE AREA OF DIRECT INVESTMENT ABROAD.

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